

DISCUSSION OUTLINE
FOCUS GROUPS
TAX PROFESSIONALS- TORONTO, MONTREAL, WASHINGTON

1. Introduction

This research project is being conducted for Canada Customs and Revenue Agency. We are not asking you for any confidential information about you, your company or your clients. The purpose of the discussion today is to understand your attitudes towards the Advance Pricing Arrangement program.

Introduce audio-taping- for secretarial purposes only, re-emphasize confidentiality - not trying to sell anything - will not identify anyone in report being produced for the Agency – Go by first names - Representatives of the Agency are observing in another room.

As you were told when you agreed to participate in this interview, the Agency has operated an Advance Pricing Arrangement program to deal with international transfer pricing issues since 1993. They have decided to undertake a research project to better understand the current and future intended use of this program and how to improve it. To this end, a number of focus groups are being conducted with tax professionals that have had experience with the APA program.

By way of starting, perhaps we could go around the table and each give me your first name, what is your professional designation, have you had a little or a lot of experience with your clients and APA's? Is experience recent or some years ago?

2. International Transfer Pricing

I would like to ask you some general questions about international transfer pricing.

Is this an issue that is growing in importance, staying the same or decreasing in importance for your clients? Why do you say that?

Does transfer pricing generally play a role for your clients in the following:

- Sale of products / services / rental/ licensing of intangible properties
- Re-organization of supply chain
- Mergers
- Acquisitions
- Expansions

Is transfer pricing considered by the majority of your clients to be a core management tool, (eg. one that is used to create or return strategic advantage to an organization), or is it considered an audit / compliance matter? Probe.

Who primarily makes the decision to participate in an APA program? Is it driven mainly by the parent company or a subsidiary?

3. Advance Pricing Arrangement (Preliminary)

Can you tell me how you became aware of this program? Probe. Internal or external source? Tax Advisors? The Agency?

What are the main positive considerations that convince you to advise your clients to participate in an APA program? Probe.

What are the negative considerations, if any, that are weighed into the decision-making process?

In general, do your clients generally participate in an APA driven by a desire to achieve positive benefits or to avoid negative consequences?

Generally, what are your expectations for your clients of participating in the APA program? Probe for expected benefits. Reduced costs. Length of time to complete. Reporting requirements. Direct and focussed assistance from APA staff.

Are the Agency personnel generally realistic in the expectations they initially describe to your clients?

In your view and in the views of others, is the APA a dispute resolution channel that is growing in importance, staying the same or declining in importance for your clients?

4. Advance Pricing Arrangement (Actual Experience)

Overall, do you have a very favourable, somewhat favourable, somewhat unfavourable or very unfavourable impression of this program? Probe for reasons.

What do you like about the program? Probe.

What do you dislike about the program? Probe.

Have your clients general experience with the program met, exceeded or not met your expectations that we discussed earlier? Probe.

Hand Out Sheet Containing The Following Statements And Ask Respondents To Complete On Their Own. Then Review Their Answers in the Group Discussion.

Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements based upon your experience with the APA program? (Probe for reasons why for each response or for as many as time will permit.)

- The APA is not an adversarial approach for the resolution of international transfer pricing issues
- The APA program provides complete confidentiality of my clients' information
- Section 247 of the Income Tax Act applies to international transfer pricing between non-arm's length corporations and requires those taxpayers to develop and apply certain information. The APA is just an enhancement or tool to help meet the requirements of Section 247.
- The APA program provides a good forum for taxpayers to deal with transfer pricing issues in a cooperative manner
- The APA process takes much too long to complete
- The APA process is much too expensive relative to the benefits generally achieved by my clients. (Probe- internal costs, outside advisors, CCRA costs)
- The APA is geared primarily to the elimination of potential double taxation between Canadian taxpayers and their foreign related entities.
- The APA provides my clients with a discipline by allowing them to present their arguments in resolving international transfer pricing situations
- The APA staff operate in a supportive fashion for my clients with the APA program
- One of the main benefits of the APA program is the "certainty of treatment" that it provides to my clients both for domestic and, if applicable, bilateral APA requirements of participating tax jurisdictions
- The on-going reporting requirements are much too onerous and generally diminish greatly the value of the APA program for my clients
- The APA program can be useful for medium sized companies.
- One of the benefits of the APA for my clients is the assistance that the process provides in meeting the requirements of Section 247

5. Performance Of The Agency (Canada Customs & Revenue Agency)

I would now like to focus on the performance of the delivery of this program.

Based upon your experience with the APA program, what does the APA program do for your overall impression of the Agency? Probe.

The APA program employs a team approach for negotiations which normally includes a lawyer, an accountant, a field audit representative and an economist. Generally, do you favour this team approach? What has been your experience with the specific professional components of these teams?

Based upon your experiences with the APA team, what words come to mind to describe their performance with your clients. Probe for as many unaided words or phrases.

Hand Out Sheet Containing The Following Words & Phrases And Ask Respondents To Complete On Their Own. Then Review Their Answers in the Group Discussion.

I will now provide you with some words or phrases that might describe the APA program personnel. Based upon what you have experienced, on a scale of 1 to 5, would you say that these words apply a little or a lot? With 1 meaning a little and 5 meaning a lot and the numbers in between representing degrees of difference.

- Helpful
- Knowledgeable
- Able to anticipate difficulties or problems
- Flexible
- Skillful in negotiating
- Customer oriented
- Easy to work with
- Adaptable
- Open to different viewpoints
- Technical expertise in transfer pricing
- Cooperative
- Willing to give and take
- Bureaucratic
- Forward thinking
- Able to think out of the box
- Conscientious
- Reliable
- Works well with clients
- Willing to go the extra mile

6. Future Changes / Scope To APA Program

What changes would you make to improve the effectiveness and efficiency of the program from your clients' point of view? Probe.

What changes would you make to improve the effectiveness and efficiency of the program from your point of view as a tax professional? Probe.

Should the scope of the program be expanded (to include permanent establishment issues, examination of documents, customs issues)

If you could only make one change to the program, what would that change be?

Do you have any reservations in recommending the APA program to other clients? Why? Would you have any reservations if the changes we discussed above were made to the program?

THANK FOR PARTICIPATION